

**Rating Action: Moody's assigns Ba1 rating to Fibria's notes**

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Global Credit Research - 22 Apr 2010

**Approximately USD 500 million in debt securities affected**

Sao Paulo, April 22, 2010 -- Moody's Investors Service has assigned a Ba1 foreign currency rating to the proposed senior unsecured notes due 2020 in the amount of approximately USD 500 million (upsizable up to USD 750 million) to be issued by Fibria Overseas Finance Ltd (Cayman Islands) and fully and unconditionally guaranteed by Fibria Celulose S.A.'s ("Fibria"). The rating outlook is stable. The net proceeds from the issuance will be used to pre-pay existing secured debt, improving Fibria's debt maturity profile and its financial flexibility.

Rating assigned is as follows:

Issuer: Fibria Overseas Finance Ltd (Cayman Islands)

- approximately USD 500 million senior unsecured guaranteed notes due 2020: Ba1 (foreign currency)

Existing ratings:

Issuer: Fibria Celulose S.A.

- Corporate Family Rating: Ba1 (global scale); Aa2.br (Brazilian national scale)

Issuer: Fibria Overseas Finance Ltd (Cayman Islands)

USD 1 billion senior unsecured guaranteed notes due 2019: Ba1 (foreign currency)

The outlook for all ratings is stable.

The Ba1 rating of the proposed notes and the stable outlook assume that the final transaction documents will not be materially different from draft legal documentation reviewed by Moody's to date and assume that these agreements are legally valid, binding and enforceable.

Fibria's Ba1 corporate family rating reflects its leading position as the largest producer of market pulp in the world, its extremely competitive production costs which are among the lowest worldwide based on a long-term sustainable business model depicted by structural cost advantages when compared with most international peers, including self-sufficiency in wood fiber and electricity and efficient logistics. Fibria's relative low product diversity and its small size when compared with global peers as measured by net revenues are constraining factors for its rating. Operational diversity is good with production spread over five plants, although 83% of capacity is concentrated in three mills.

Revenues are largely generated under long-term supply contracts that support stable sales volume with good geographic diversification. Additionally, the Ba1 rating incorporates the benefit from the ownership by and expected support from Votorantim Participações S.A. (Baa3, outlook stable) due to existing cross default provisions in part of Votorantim's outstanding debt. Also, our view of Fibria's strong ownership considers the fact that the Brazilian Development Bank BNDES (A3, outlook stable) is currently its largest individual shareholder through its subsidiary BNDES Participações S.A. (A3, outlook stable) with 33.6% of Fibria's voting and total capital as of December 31, 2009, and a major lender to the company.

In 2009, Fibria's doubled consolidated net revenues of BRL 6 billion (USD 3 billion) reflects the full consolidation of Aracruz Celulose ("Aracruz") and the additional capacity from the Tres Lagoas mill. Lower pulp prices affected operating margins, which however remained strong when compared to global peers with EBITDA margin of 30% (37% in 2008) thanks to its structural cost advantages. As anticipated, leverage increased significantly during 2009 as a result of the acquisition of Aracruz, with Total Adjusted Debt to EBITDA of 8.2x (or 6.1x on a net debt basis). Nevertheless, we expect the company will benefit from the sharply improved BEKP prices since mid 2009 and consistent demand to reduce debt from free cash flow over the near term, with leverage likely declining below 4x by 2010 year-end. Based on the lack of significant new capacity coming on stream in the near term and strong demand in China, we believe that the current favorable market conditions will remain in the foreseeable future.

Liquidity remains healthy based on Fibria's large cash position of BRL 3.9 billion as of December 31, 2009 that covers

92% of short term adjusted debt. We expect Fibria will be free cash flow positive in 2010 and will continue to have ample access to short term pre-export financing. Also, we believe that the Brazilian Development Bank - BNDES will continue to finance a substantial portion of Fibria's capital spending, which will decline in 2010 and focus on maintenance and reforestation following the conclusion of the Tres Lagoas mill in 2009.

The stable outlook reflects our view that BEKP market conditions will remain favorable over the near term, supporting improved operating margins and cash flow generation. We expect that Fibria will prudently manage capex and focus on free cash flow available for debt reduction, while maintaining healthy liquidity.

The ratings or outlook could be upgraded if Fibria manages to reduce leverage as measured by Total Adjusted Net Debt (net of cash available for debt reduction) to EBITDA approaching 3x together with Retained Cash Flow (defined as Funds From Operations less Dividends) less Capex to Total Adjusted Net Debt above 12% on a consistent basis.

Conversely, the ratings or outlook could be negatively affected in case free cash flow remains negative preventing a significant debt reduction as anticipated, or in case of deterioration in liquidity. Also, a deterioration of VPAR's credit quality could negatively impact Fibria's ratings. A substantial increase in secured debt could negatively affect the senior unsecured notes rating.

Our last rating action on Fibria was on March 23, 2010 when we affirmed its existing ratings and revised their outlook to stable from negative.

The principal methodology used in rating Fibria was Moody's Global Paper & Forest Products Industry rating methodology, published in September 2009 and available on [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Rating Methodologies sub-directory on Moody's website.

Fibria Celulose S.A. is the largest producer of market pulp in the world, and also produces specialty paper, such as coated, thermal, and carbonless paper. In 2009 Fibria reported consolidated net revenues of BRL 6 billion (USD 3 billion converted by the average foreign exchange rate for the period).

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